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[Proposed] Counsel to Bradley D. Sharp,
Chapter 11 Trustee

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re:
LESLIE KLEIN,

Debtor.

Case No.: 2:23-bk-10990-SK

Chapter 11

**CHAPTER 11 TRUSTEE'S RESPONSE TO
THE MOTION FOR RELIEF FROM THE
AUTOMATIC STAY UNDER 11 U.S.C. § 362**

Date: September 13, 2023
Time: 8:30 am
Courtroom: 1575
Location: 255 E. Temple Street
Los Angeles, CA 90012
Judge: Hon. Sandra R. Klein

Bradley D. Sharp ("**Trustee**"), the duly appointed trustee for the chapter 11 estate of Leslie Klein (the "**Debtor**"), hereby files this response (the "**Response**") to the *Motion for Relief from the Automatic Stay Under 11 U.S.C. § 362* [Docket No. 254] (the "**Winter Stay Relief Motion**") filed by the Jeffrey Winter, Co-Trustee of the Franklin Menlo Irrevocable Trust Established March 1, 1983 (the "**Movant**"). In support of the Response, the Trustee respectfully represents as follows:

A. Background

The Debtor commenced a voluntary chapter 11 case on February 22, 2023. On March 10, 2023, the Office of the United States Trustee (the "**UST**") filed a statement regarding the Debtor's

1 failure to comply with various requirements under the Bankruptcy Code, Bankruptcy Rules, and
2 certain notices and guidelines promulgated by the UST. *See* [Docket No. 42].

3 On May 17, 2023, in response to certain motions to dismiss the Debtor's chapter 11 case
4 filed certain creditors of the Debtor's estate, the Court entered an order directing the UST to appoint
5 a chapter 11 trustee. *See* [Docket No. 142].

6 On May 23, 2023, the UST filed a notice appointing Bradley D. Sharp (the "***Trustee***") as the
7 chapter 11 trustee of the Debtor's chapter 11 case. *See* [Docket No. 151]. On May 24, 2023, the UST
8 filed an application for an order approving the appointment of Mr. Sharp as the Trustee. *See* [Docket
9 No. 154]. On May 24, 2023, the Court entered an order approving the appointment of Mr. Sharp as
10 the Trustee. *See* [Docket No. 155]. On May 24, 2023, Mr. Sharp accepted his appointment as
11 Trustee. *See* [Docket No. 156].

12 Since the Trustee's appointment, he and his proposed forensic accounting firm and his
13 proposed bankruptcy counsel have been communicating with the Debtor, the Debtor's creditors, and
14 others, including the Menlo parties, that have engaged in business with the Debtor for the purpose of
15 collecting information about property of the estate including claims the estate holds against others
16 and claims that parties have asserted against the Debtor. The Trustee is in the beginning stages of the
17 collection of information regarding property of the estate and the investigation into the various
18 business and other arrangements between the Debtor and other parties.

19 To date, the Trustee has filed approximately ten (10) applications, pursuant to Bankruptcy
20 Rule 2004, seeking information from various parties in an effort to better understand the affirmative
21 claims of and claims against the Debtor's estate, and other assets of the Debtor that can be used to
22 pay allowed claims against the estate.

23 **B. The Menlo Trust Litigation**

24 As set forth in the Motion, which totals 257 pages, the Debtor has been engaged in years of
25 litigation over approximately twenty-four trusts created for the benefit of the Menlo family where
26 the Debtor served as a solo trustee. In this litigation, the Debtor is accused of embezzlement, co-
27 mingling of assets, borrowing between trusts, taking loans against trust and cross-paying debts,
28 among other actions. The Trustee has been trying to obtain information about the Menlo trusts to

determine whether the Debtor has any claims or other interests. The Trustee has tried to obtain this information consensually but has been unsuccessful. As a result, the Trustee recently filed a Bankruptcy Rule 2004 application, see [Docket No. 301] (the “**Menlo Rule 2004 Application**”), directed against the Franklin Henry Menlo Irrevocable Trust Established March 1, 1983 (the “**Menlo Trust**”) as represented by Jeffrey Winter and Frank Menlo, Co-Trustees of the Menlo Trust.

On August 18, 2023, the Menlo Trust convinced the Superior Court (the court presiding over the Menlo Trust litigation), to issue an order to distribute, on August 30, 2023, \$6,000,000 of the \$30,000,000 in life insurance proceeds to the Menlo Trust, and similarly issued an order to show cause to the Debtor and the Trustee to provide writings to demonstrate the Debtor’s interest in the life insurance policies (information that the Trustee does not have but has been trying to obtain from the Debtor and the Menlo parties).

Importantly, the Menlo Trust made these arguments to the Superior Court while the Winter Stay Relief Motion and *Motion for Relief from the Automatic Stay Under 11 U.S.C. § 362* [Docket No. 84] (the “**Frank Menlo Stay Relief Motion**”) were pending and unresolved before this Court.¹ The Court continued the Frank Menlo Stay Relief Motion in response to the Trustee’s objection wherein he argued that he does not have sufficient information to make an independent and informed decision with respect to such motion. *See* [Docket No. 196].

C. The Motion Should Be Continued

With the filing of this objection, the Trustee is now opposing two stay relief motions filed by different parties regarding the Menlo Trust. The Trustee continues to seek information regarding the Menlo Trust as is evidenced by the Menlo Rule 2004 Application. The Winter Stay Relief Motion should be continued to sixty (60) days after the Menlo Trust produces the discovery the Trustee is seeking so that the Trustee can gather the information necessary for him to make an independent and informed decision regarding the Winter Stay Relief Motion. The Trustee should not be required to litigate two separate stay relief motions on different time-tables when they involve the same issues.

¹ The Trustee filed a motion to enforce the automatic stay in response to the Menlo Trust’s conduct and the Superior Court’s order. See [Docket No. 303], which is scheduled for a hearing on September 6, 2023.

D. Conclusion

For the reasons stated herein and at the hearing, the Trustee respectfully requests the Court to continue the Motion to a date that is sixty (60) days after the Menlo Trust produces the discovery to the Trustee.

Dated: August 30, 2023

PACHULSKI STANG ZIEHL & JONES LLP

By /s/ John W. Lucas
John W. Lucas

[Proposed] Counsel to Bradley D. Sharp,
Chapter 11 Trustee

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
10100 Santa Monica Boulevard, 13th Floor, Los Angeles, California 90067

A true and correct copy of the foregoing document entitled (*specify*): **CHAPTER 11 TRUSTEE'S RESPONSE TO THE MOTION FOR RELIEF FROM THE AUTOMATIC STAY UNDER 11 U.S.C. § 362** will be served or was served **(a)** on the judge in chambers in the form and manner required by lbr 5005-2(d); and **(b)** in the manner stated below:

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) **August 30, 2023**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

2. **SERVED BY UNITED STATES MAIL:**

On (*date*) **August 30, 2023**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☒ Service information continued on attached page

3. **SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) **August 30, 2023**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☒ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

August 30, 2023
Date

Rolanda Mori
Printed Name

/s/ Rolanda Mori
Signature

In re Leslie Klein
23-10990-SK

SERVICE LIST

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3 SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL

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